

# Fairfax County Economic Index

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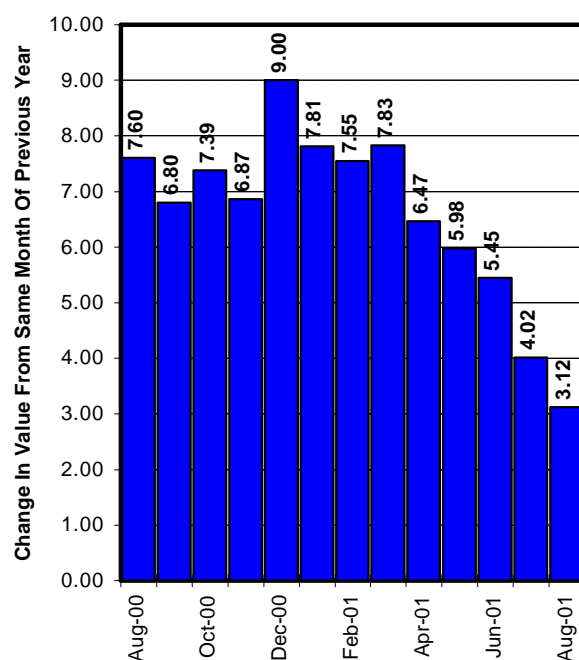
## County Economy Weaker In August, Leading Indicators Pointing To Slower Growth

The **Fairfax County Coincident Index**, which represents the current state of the County's economy, decreased to 131.6 in August for a decline of 0.37 percent from its July level. This was the fifth consecutive decline in the Index and sixth monthly decrease over the past seven months. Since peaking in January, the Index has declined 3.3 percent and is now tracking below its historic trend line. In August, two of the Index's four components were negative.

- Transient occupancy tax collections, adjusted for inflation and seasonal variation, declined for their seventh consecutive month; and,
- Consumer confidence dropped for the eighth time in nine months; while,
- Total employment was up in August (also in July on a revised basis) and has now been positive for 67 months in a row dating back to January 1996; and,
- Sales tax collections, adjusted for inflation and seasonal variation, increased for the third time in the last four months.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy nine to twelve months in advance, decreased slightly to 103.2 in August for a decline of 0.1 percent from its July level. The Leading Index has been negative in six of the last eight months and has declined 3.8 percent from the beginning of the year.

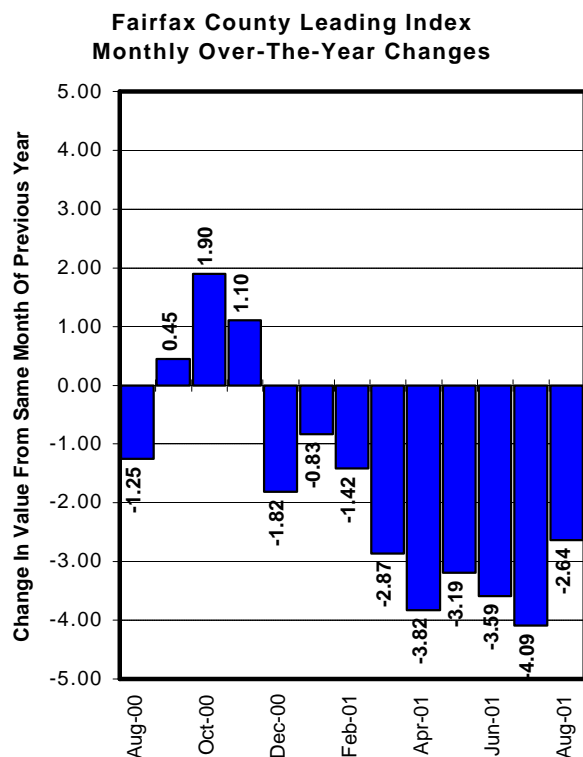
**Fairfax County Coincident Index  
Monthly Over-The-Year Changes**



Source: Center for Regional Analysis, George Mason University

However, since its sharp decline over the February-April period, the Index has stabilized but at a level well below its historic trend line. In August, three of the Index's five components contributed to its decline.

- Initial claims for unemployment insurance increased (worsened) sharply in August after improving in each of the two preceding months;



Source: Center for Regional Analysis, George Mason University

- Residential building permits declined for the sixth time in seven months; and,
- The total value of residential building permits were negative for the fifth time in eight months; while,
- Consumer expectations (consumer confidence six months hence) increased for the third time in four months; and,
- New automobile registrations registered a strong gain in August and have now been up in three of the last four months.

The Fairfax County economy weakened further in August. For the first time in four years its current monthly performance dropped below its 12-month moving average growth trend. With the Leading Index continuing to track downward, even though the month's decline was small, the near-term outlook for the economy prior to the September 11 terrorist attack was for growth to continue slowing into next year before reaccelerating. With consumer confidence continuing to decline in August, sustaining the growth of consumer spending was already a concern, as its decline would provide a clear signal of weaker economic performance

in the future. Subsequently, the September terrorist attacks significantly undercut consumer confidence resulting in the already weakened economies at the national and local levels slowing further, with this slowdown now expected to extend well into 2002.

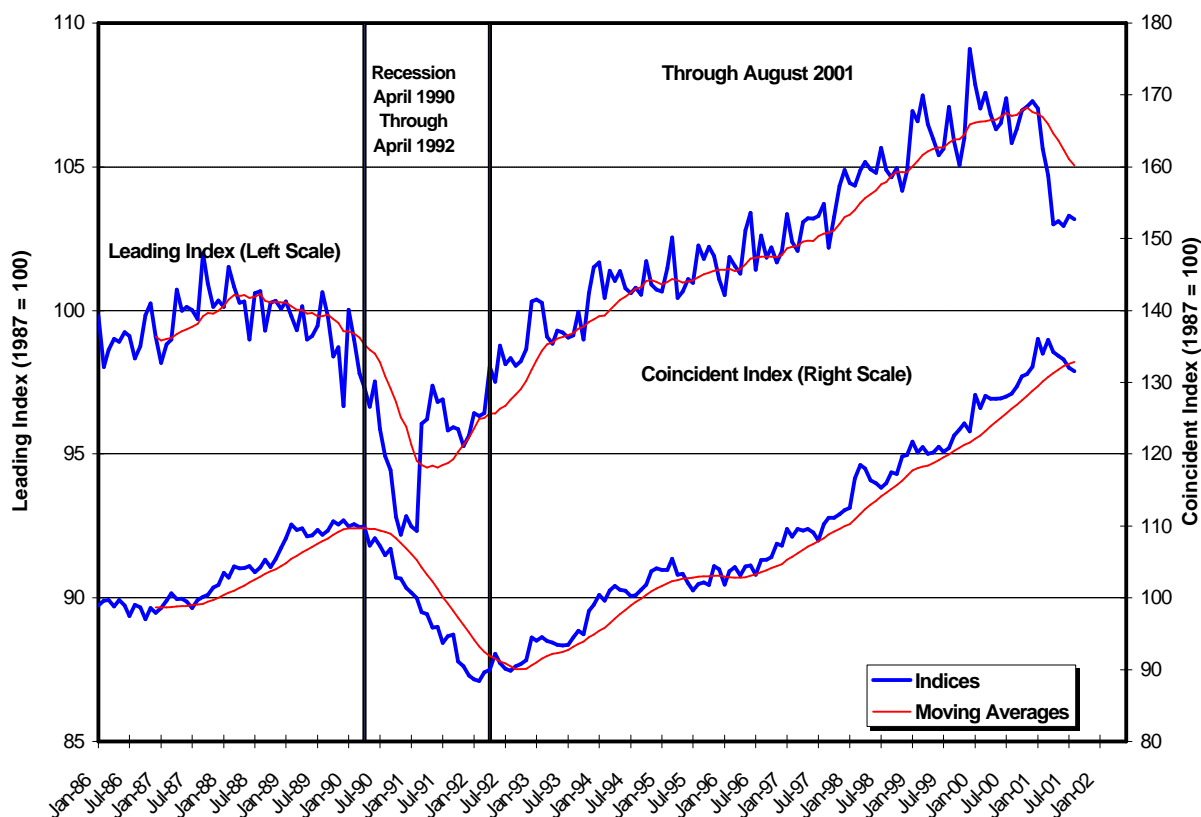
## CURRENT CONDITIONS

The Fairfax County economy, while continuing to generate new jobs and income at relatively strong rates in August, was experiencing slower growth through the third quarter prior to the September 11 terrorist attack. Net new job growth in August totaled 29,466 for a 5.4 percent increase. While this level of job growth compares favorably with previous years, it was the slowest monthly over-the-year gain so far this year, reflecting the overall slowing of the area and national economies. The growing weakness in the County economy is seen in its sharp increase in August initial claims for unemployment insurance; claims were up 16.7 percent from July on a seasonally adjusted basis and were 156 percent higher than in August 2000. Along with higher claims, unemployment has begun to rise. In August, the County's unemployment rate reached 2.1 percent, up from 1.4 percent a year ago. While these rates remain well below the Washington metropolitan area rate of 2.9 and the national rate of 4.5 percent, their gains from last year confirm the economy's slowdown.

Nationally, consumer spending has helped to keep the economy growing this year as business spending and manufacturing output have declined. Retail spending in Fairfax County has been mixed. August sales tax collections were up from July 6.7 percent on a seasonally adjusted basis but down 1.6 from collections in August 2000. This same pattern is seen in automobile sales. August sales were up sharply from July (21.8 percent) on a seasonally adjusted basis but off 7.1 percent from August 2000. Residential building permits present the opposite pattern; they were down in August from July but up from August 2000.

With consumer confidence continuing to erode and consumer spending critically important to the economy's vitality, the September 11 terrorist attack can be expected to undercut retail sales and deepen the economy's slowdown. Preliminary September consumer confidence data reflected some of this new concern among shoppers but the full impact has not yet been documented and will not be until the October consumer confidence survey is completed. While the

## Business Cycle Indicators – Fairfax County, Virginia



Source: Center for Regional Analysis, George Mason University

immediate economic impact of the terrorist attack clearly will be negative, there is no history to guide how long it will take for retail sales and other consumer spending to regain their normal seasonal patterns. If past experience with major interruptions in retail spending hold true, a significant portion of sales lost in September will be regained in October and November pushing the recovery into the holiday shopping season. This may make holiday sales appear stronger than they actually are with some of these sales reflecting deferred purchases from September and October, with the end result that retail sales for the year fall well below last year's volume.

### NEAR-TERM OUTLOOK

The Fairfax County Leading Index was pointing to slower growth prior to September 11 so it is likely that the negative impacts resulting from lost sales and decreased output in September will extend and deepen the slowdown. Even though the County's economy was slowing down prior to the terrorist attack, it was still strong and will not slip into recession this year or next even if the national economy does as

is expected.

In fact, while these negative impacts will slow the economy this year more than what was projected, increased federal contracting and other spending relating to the terrorist attacks and the "War on Terrorism" will likely have a positive impact on the County's economy in 2002. This increased spending is already taking place and will disproportionately help the technology industry in the County as well as the commercial real estate and construction industries. Still, the County's hospitality industry, which was already experiencing a slowdown from last year, will be further impacted by lost business and tourist travel this year and this slowdown may continue next year.

The immediate economic outlook in the County is for a substantial one-month slowdown in its economic growth with all or most indicators pointing negative in September. The Indices will drop sharply and these losses may also be reflected in October's data. How much recovery is apparent in the October data (released in December) will provide an important guide to judging how long the negative impacts of the terrorist attack will extend the slowdown.

## Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Aug-01 Prelim.	Jul-01 Final	Aug-00 Final	Jul-01 to Aug-01	Aug-00 to Aug-01
<b>Fairfax County Business Cycle Indicators</b>					
Coincident Index (1987 = 100)	131.57	132.07	128.45	-0.37	2.43
Leading Index (1987 = 100)	103.19	103.29	105.82	-0.10	-2.49
<b>Fairfax County Coincident Index Components</b>					
Total Covered Employment (Seasonally Adjusted)	570,592	569,410	541,126	0.21	5.45
<i>Total Covered Employment (Unadjusted)</i>	<i>570,866</i>	<i>572,610</i>	<i>541,385</i>	<i>-0.30</i>	<i>5.45</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	328	352	311	-6.96	5.47
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>620</i>	<i>605</i>	<i>567</i>	<i>2.58</i>	<i>9.35</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	8,387	7,863	8,522	6.66	-1.59
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>10,472</i>	<i>10,197</i>	<i>10,865</i>	<i>2.70</i>	<i>-3.62</i>
South Atlantic Consumer Confidence	150.6	156.4	189.1	-3.71	-20.36
<b>Fairfax County Leading Index Components</b>					
New Automobile Registrations (Seasonally Adjusted)	6,737	5,530	7,251	21.84	-7.09
<i>Automobile Registrations (Unadjusted)</i>	<i>7,616</i>	<i>6,287</i>	<i>8,197</i>	<i>21.14</i>	<i>-7.09</i>
Initial Unemployment Claims (Seasonally Adjusted)	1,771	1,518	692	16.66	156.11
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>1,634</i>	<i>1,519</i>	<i>638</i>	<i>7.57</i>	<i>156.11</i>
South Atlantic Consumer Expectations	100.4	94.2	124.9	6.58	-19.62
Residential Building Permits (Number of Units, Seasonally Adjusted)	329	462	275	-28.73	19.74
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>370</i>	<i>485</i>	<i>309</i>	<i>-23.71</i>	<i>19.74</i>
Residential Building Permit Value (\$'000='87, Seasonally Adjusted)	26,963	27,867	25,667	-3.25	5.05
<i>Residential Building Permit Value (\$=Current, Unadjusted)</i>	<i>49,900</i>	<i>47,091</i>	<i>45,816</i>	<i>5.97</i>	<i>8.91</i>
<b>Fairfax County Labor Force</b>					
Total Labor Force (Seasonally Adjusted)	593,156	591,994	564,456	0.20	5.08
<i>Total Labor Force (Unadjusted)</i>	<i>601,336</i>	<i>607,993</i>	<i>572,240</i>	<i>-1.09</i>	<i>5.08</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.00	1.45	1.14	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>2.07</i>	<i>1.80</i>	<i>1.38</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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*We are on the web at:*  
**[www.co.fairfax.va.us/comm/  
economic/economic.htm](http://www.co.fairfax.va.us/comm/economic/economic.htm)**

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